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Remarks:

State Dept. review completed.

Executive Secretary
5/19/82
Date

Replace file on
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State Dept. review completed.

**International
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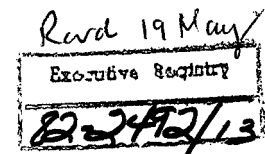
United States of America

Washington, D. C. 20547

Office of the Director



MAY 13 1982



MEMORANDUM FOR: The Honorable
William J. Casey
Director
Central Intelligence Agency

FROM: Gilbert A. Robinson
Acting Director *gar*

SUBJECT: Public Opinion on Economic Issues in
Participating Countries Before the
Versailles Summit

I thought you would be interested in the findings of late-April USICA surveys in the six countries participating with the U.S. in the Versailles Economic Summit. The highlights are:

- o Pessimism is pervasive in all participant countries about the current economic situation and for the year ahead.
- o Except in Japan, unemployment is considered the most serious economic problem, by far.
- o There is a widespread preference to combat unemployment -- even at the cost of continuing inflation -- over risking a higher jobless rate by attacking inflation.
- o High unemployment is more widely blamed on domestic policies than on policies and actions from abroad.
- o Publics everywhere see Japan following economic policies harmful to their domestic economies. The Canadians, French, and Japanese also tend to feel this way about the U.S.
- o Only in Italy is the U.S. perceived as the world's strongest economic power. Elsewhere, Japan is ranked in first place.

State Dept. review completed.

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May 7, 1982

PUBLIC OPINION IN THE INDUSTRIAL DEMOCRACIES ON
VERSAILLES SUMMIT ISSUES

In mid-April, USICA commissioned national opinion surveys in the six countries participating in the Versailles Summit. Key findings follow:

MACROECONOMICS AND INTERNATIONAL MONETARY ISSUES

Issue: Economic Policy CoordinationPublic Opinion Climate for U.S. Policies

- o Pessimism is pervasive in all participant countries about the current economic situation and for the year ahead.
- o Except in Japan, unemployment is considered the most serious economic problem, by far.
- o There is a widespread preference to combat unemployment -- even at the cost of continuing inflation -- over risking a higher jobless rate by attacking inflation.
- o High unemployment is more widely blamed on domestic policies than on policies and actions from abroad.
- o Publics everywhere see Japan following economic policies harmful to their domestic economies. The Canadians, French, and Japanese also tend to feel this way about the U.S.
- o Only in Italy is the U.S. perceived as the world's strongest economic power. Elsewhere, Japan is accorded first place.

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Everywhere, very large majorities -- ranging from 67 percent in Japan to 81 percent in Italy -- consider their economy to be in poor health. Since last year, pessimism has spread in France and West Germany. In Canada and Japan, where optimism prevailed in 1981, the number of pessimists has doubled.

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Nor does the outlook for the year ahead appear promising to these publics. This is particularly the case in the strongest economies, West Germany and Japan, where no more than about one in ten expects things to improve. Somewhat more have hopeful expectations in France, Italy, and in the U.K., but these too comprise only 25-to-30 percent of the population.

Everywhere, except in Japan, unemployment is seen as the most serious economic problem. Inflation follows well behind. In Japan, inflation and energy are perceived as the key problems in about equal measure. But an appreciable proportion (35%) name "foreign barriers against our exports" in that context.

Given the overriding concern about joblessness, West Europeans and Canadians -- by ratios between two- and three-to-one -- advocate government actions to increase employment, even at the cost of continued inflation. Only minorities are willing to accept more unemployment as the price for deflationary policies. In low-unemployment, low-inflation rate Japan, public opinion splits on these alternatives.

Views are more mixed about the causes of unemployment. In Italy (73%), Canada (56%), Japan (52%), and the U.K. (46%), domestic policies are principally blamed for unemployment. In France and the FRG, pluralities (43% each) attribute an equal amount of blame to domestic developments and "to the policies of other countries." Across the board, though, only small minorities specifically blame external sources for domestic joblessness. Among those relatively few who do, the U.S. is generally named most often.

In a wider context, pluralities in France (48%), Canada (47%), and Japan (40%) feel that U.S. economic policies and actions have been "more harmful" than "helpful" to their domestic economy. In the U.K., the FRG, and Italy, no consensus emerges on this score.

A consensus does exist on the effect of Japanese policies on their country's economy. Majorities in Britain (62%) and France (59%), and substantial pluralities elsewhere, perceive Japanese actions as harmful. The Japanese, for their part, are mostly uncertain and divided about the effects of EEC actions on Japan's economy.

The negative views of Japan's economic policies exist alongside a perception of Japan as the world's strongest economic power. Everywhere, except in Italy, Japan ranks ahead of the U.S. A year ago, Japan ranked first only in the U.K. The Japanese, on the other hand, see the U.S. first by a substantial margin over their own country.

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Issue: Exchange Rate PolicyPublic Opinion Climate for U.S. Policies

- o Outside West Germany and Britain, the strong dollar is generally considered a bad thing for domestic economic conditions.
- o British and Canadian opinion excepted, publics tend to blame the U.S. for deliberately keeping the dollar strong.

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Public awareness of the dollar's current strength is widespread in all countries, but especially in France, Italy, and Canada, where the dollar has risen to record highs.

In the U.K. and in the FRG, the public does not perceive the strong dollar as harmful to their own economy. Elsewhere, however, particularly in France and Italy, the dollar's strength tends to be seen as a bad rather than a good thing.

The picture is more mixed on whether the dollar rate is the result of deliberate U.S. policy or is caused by circumstances beyond U.S. government control. In France, West Germany, Italy, and, to a lesser extent, Japan, more subscribe to the former view; in Britain and Canada the other position prevails.

TRADE AND INVESTMENT

Issue: NTB's, etc.Public Opinion Climate for U.S. Policies

- o Free trade principles are widely endorsed, except in Japan. There, almost as many people embrace protectionist sentiments.
- o In France, and to a lesser extent in Canada and Japan, U.S. policies tend to be perceived as hindering their exports. This impression does not prevail in the other countries.
- o Only the West German public does not see foreign imports as primarily harmful. Elsewhere there is wide agreement that imports tend to cause unemployment rather than reduce prices.

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The principle of fewer restrictions on trade is endorsed by wide margins over protectionist measures in Western Europe and by a lesser margin in Japan. Canadians divide evenly on whether to support or oppose restrictions on trade.

Majorities everywhere, except in Japan, perceive their country adhering to a free trade policy rather than to protectionist practices. In Japan, a large plurality (50-to-32%) see Japan as protectionist.

Perceptions of U.S. trade practices toward their country's exports are mixed and in some cases vague. The French alone have a clearly predominant perception that U.S. policies hinder rather than help efforts to sell French goods in the U.S. In Canada and Japan, this feeling prevails by narrower margins. Elsewhere opinion is very much divided.

Much less uncertainty exists with respect to Japan's trade policies. Majorities everywhere, except in Canada, perceive Japan as putting up barriers against their exports. And, Canadians, too, share this view, but to a somewhat lesser extent.

As to the actual effects of foreign imports, there is wide agreement in four countries that they produce unemployment rather than reduce prices. This view also prevails by a narrow margin among the Japanese, but the more export-dependent Germans are more or less divided on this score.

Issue: U.S.-Japan Trade Issues

Public Opinion Climate for U.S. Policy

- o The Japanese public mainly sees the problems of the U.S. auto industry as self-inflicted.
- o Opinion is divided over the reasonableness of U.S. demands for market access, but there is substantial willingness to take steps to improve trade relations.
- o Although believing that freer trade in agriculture would lower food costs, Japanese public opinion tends to support limits on imports that might harm Japanese farmers.

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In March, a majority (59%) saw the auto issue problem caused by the U.S. auto industry itself rather than by increasing Japanese auto exports (27%).

In mid-April, opinion split evenly between those who think that strong U.S. requests for Japan to "open its markets more" to U.S. agricultural and industrial products are mainly reasonable (46%) and those who see them as unreasonable (48%). Nonetheless, a majority (56-to-36%) favored "accepting" the U.S. position.

A majority (59%) also believe that freer trade in agricultural products would tend to lower food costs in Japan. Nevertheless, in March, the public favored (55-to-36%) limiting farm imports which "deal a blow to Japanese agriculture," and only slightly more (50%) thought Japan should "import more American agricultural products such as beef and oranges" than were opposed (41%).

EAST/WEST ECONOMIC ISSUES

Issue: COCOM/Strategic Trade

Public Opinion Climate for U.S. Policy

- o Poland notwithstanding, support prevails for continuing trade with the Soviet Union at present levels.
- o There is widespread public opposition to granting low interest loans and credits to the Soviet Union to promote trade.
- o Italy excepted, there is predominant approval for tight restrictions on technology sales to the Soviet Union.
- o Outside of Italy, a wide preference exists for coordinating Soviet trade policy with the U.S. over striking separate deals with the Soviet Union.

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In Western Europe and Japan, only small minorities believe their country's prosperity is dependent on trade with the Soviet Union. In Canada, the minority thinking this is an appreciable 39 percent.

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Nonetheless, a majority (58%) in Italy and pluralities elsewhere feel the level of Soviet trade should not be affected by events in Poland. The widest support for decreasing trade because of Poland appears in the U.K. (39%) and in Canada (39%).

Despite the prevailing unwillingness to see Soviet trade reduced, public opinion in all countries favors restrictions on that trade. Majorities oppose special concessions, such as low interest loans and credits, to the Soviet Union in order to promote trade. This view is most pronounced in Britain (84%) and in Canada (79%), but French and German public opinion (both 66%) does not lag far behind.

Attitudes toward selling high technology to Moscow are somewhat less one-sided. Nonetheless, Italy aside, the predominant feeling is to put tight restrictions on such sales. Italian opinion is split. But a year ago, the prevailing view there -- as in France -- was to oppose such restrictions.

Overall, led by majorities in Canada (62%), Britain (60%), and Japan (57%), the publics in the industrial democracies prefer their country to coordinate its Soviet trade policy with the U.S. -- even at the cost of losing some trade -- to making the best possible separate deal and risk damage to U.S. relations. Again, Italian opinion is no better than evenly split, but, a year ago, Italians preferred going-it-alone to coordinating with the U.S.

Issue: Yamal Pipeline

Public Opinion Climate for U.S. Policy

- o West Europeans widely approve of the pipeline project.
- o Only minorities accept the argument that buying Soviet energy products will make them vulnerable to Soviet political pressure.

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Continental Europeans, by large margins, approve of their country's participation in the pipeline project. But most of those who do approve would change their mind if persuaded that Soviet hard-currency earnings from the pipeline would be used to build up Soviet military strength.

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Prevailing support for the pipeline may in part reflect a fairly widespread disbelief that buying energy from the Soviet Union will make their country vulnerable to Soviet political pressure. Only minorities, on the order of about one third, consider this likely.

EAST/WEST POLITICAL ISSUES

Issue: INF (Preliminary to NATO Summit)

Public Opinion Climate for U.S. Policy

- o West European public support for INF deployment is divided. But if linked to arms talks, there is a clear margin in favor of stationing.
- o Widespread preference exists for the President's zero-option proposal over the Brezhnev freeze plan.

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When informed of the Soviet missile monopoly in Europe, West Europeans are split on NATO INF deployment. The British approve 50-to-37 percent; in Italy, disapproval prevails by a corresponding margin (52-to-41%). French and German public opinion is closely divided. In the case of the FRG, however, this is a significant shift since January when opposition outweighed approval by 41-to-32 percent.

When linked to arms talks, support for INF deployment predominates decisively, except in Italy. Elsewhere, some three in ten remain unconditionally opposed to INF stationing. This represents appreciable decreases in opposition in the FRG and in the U.K. since last February. In Italy, die-hard opponents (44%) continue to equal supporters (48%).

The decline in unconditional opposition to INF deployment in West Germany and Britain may in part be related to a growing perception that NATO INF missiles would help prevent rather than increase the likelihood of a Soviet attack. Majorities in Britain (56-to-22%) and France (55-to-27%), as well as clear pluralities in West Germany (47-to-21%) and Italy (48-to-33%), subscribe to this view.

Even so, by decisive margins ranging from three-to-one in France to six-to-one in West Germany, West Europeans perceive President Reagan's zero-option proposal "as more likely to prevent war" than the Brezhnev freeze plan.

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Similarly, President Reagan's credibility rates far higher than Brezhnev's. Pluralities in Britain (50-to-35%) and France (48-to-35%) and majorities in West Germany (58-to-20%) and Italy (56-to-28%) perceive the zero-option as a sincere effort to reduce nuclear weapons in Europe. In sharp contrast, majorities everywhere feel exactly the opposite about the Brezhnev "freeze."

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